FIXED PRICE INDEMNIFIED ENVIRONMENTAL CONTRACT AN UPDATE

TSECC MEETING
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SUSTAINING DoD READINESS
Changes and Challenges in DoD Environmental Priorities

Why Did We Do It?

- **Industry Touting New Approach**
- **Philosophy to Seek Continuous Improvement**
  - **Pursue New Tools & Methods**
  - **Different Approach To Cleanup**
  - **A Demonstration Project**
  - **Might Work**
- **Use the Private Sector Approach as Much as Possible**
- **Firm-Fixed Price, Indemnified Contract**
- **Best Value Selection**

Precepts

- **Well Characterized Site**
- **Apply to Transferring Property**
- **RDA Supportive & Desire Property**
- **Reuse Plan Well-Developed**

- **Selected Base - Charleston Naval Complex**

Approach

- **Outsource…but Maintain Navy Involvement**
- **Continue Partnering Process**
- **Outcome Based**
  - **Transfer Property**
  - **Close Sites**
  - **Close RCRA Part B Permit**
- **Firm-Fixed Price Contract**
  - **Capped Cost**
  - **Known & Unknown Contamination**
  - **Indemnification Required**
  - **Pay for Completion not Progress**
  - **Fully Fund to Maximize Economy of Scale**

We Anticipated

- **Stretch The Relationships With Regulators**
- **Push the Envelope**
- **Transfer Risk**
  - **Except: Acts of God, Radiological, UXO**
- **Savings: Price, Staff, Caretaker, Time**
- **Cap Environmental Liabilities**

We Anticipated

- **Property Transfer**
- **Development Protection**
- **Promotion of Property Development**
- **Easing of CNCRA Environmental Concern**
- **New Tool For Future BRAC Rounds**
- **Contractor Opportunity for Innovation**

Scope

- Soil, Sediments (MHW), Ground Water
- Investigation, Remedial Planning/Actions
  - 132 RCRA Sites
  - 82 USTs & ASTs
  - 7 Residential Structures for LBP Abatement
  - 25 Residential Structures for Asbestos Surveys
- Long Term O&M – 20 Years
- Liability for New Sites

Indemnification

- **$65M per Event or Total Liability**
- **Corporate Assets**
- **(Corporate Assets) + Indemnification**
- **20 Year Period of Performance**
- **Single Insurer**
- **Remediation Stop Loss, Environmental Liability, General Liability**
- **US Government Additional Insured**

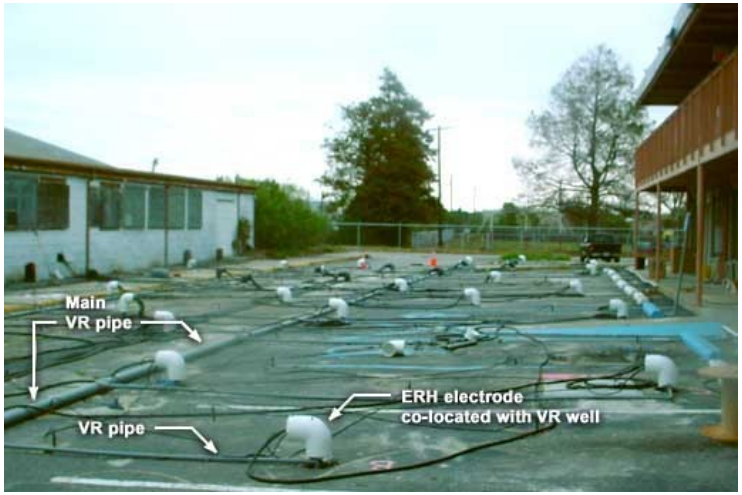
Surety Requirements

- **Bid, Payment, & Performance Bonds**
  - **2 Yr Commitment to run with remediation**
- **Payment & Performance Bonds**
  - **1 Yr Commitment renewable each year to run with O&M phase**

Current Status

- **Significant Technical Issues Resolved**
- **58 SWMUs Remain, Most Require Only LUCs**
  - **62 UST/AST NFA/I, 13 MNA, 5 Active Remediation**
  - **1/2 of Property Conveyed – Remainder FY03 (ET)**
  - **Current RCRA Part B Reflects Active Sites and How LUCs Managed**
  - **De-scoped RCRA Part B Permit(in Review) Reflects LUCs Implementation & Management on Transferred Property**
  - **Brownfields Agreements – LUC Transfer of Responsibility**

Successes & Innovations



ERH Array – Reduction of VOCs during 8 months of operation of Electrical Resistance Heating. 235# Product removed

SWMU 196- ISCO Being Applied Inside Building at the CNC

Successes & Innovation

FerOx process ZVI being applied beneath a building at the CNC.

MIP Probe Tip 1

MIP Rig in the Field

Successes & Innovations

- **Met Most of What We Anticipated**
- ***SCDHEC & EPA & CH_2M-Hill Constructors Inc***
- **Working Relationship & Trust**
- **LUC Management Plan**
- **Cost Avoidance Estimated by EPA @ $7.5M+**
- **Contract**
  - **$18.6M of $28.8M Paid to Date**
  - **1 No-Cost Change**
  - **1 Change for $52K for FOST documentation for added facilities**

Successes & Innovations

- **RCRA Part B Permit De-Scoping – in lieu of closure**
- **Brownfields-type Agreements**
- **Cleanup Progress**
- **Property Conveyance**
- **Job Retention Thru Lease**

Lessons Learned

- **Industry Forum An Added Value**
- **Insurers & Environmental Speak Differently**
- **Insurance Structure Varies Greatly**
- **Need <u>Open</u> Discussion btwn Ktr & Regulators**
- **Integrate The Regulators & LRA Early**
- **Shape Indemnification to Site**
  - **Unknowns, Complexity, Location, Conditions**

Future Considerations

- **Acquisition Strategy**
  - **Environmental Services Cooperative Agreement (ESCA) (Privatize)**
  - **Trust Agreements**
  - **Firm Fixed Price Indemnified Contract (Outsource)**
  - **Fixed Price Contract**
- **Indemnification**
  - **Self Insure, Private Sector Insurance**
  - **Element of Risk Management (What's best for a given set of conditions)**
  - **High Risk (Broad, Complex Requirements)**
  - **Low Risk (Well-Defined Requirements)**